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copyOFFICE OF RESEARCH AND REPORTS  
(ORR)*this draft revised*  
*15 Jan*Economic Intelligence

In March of 1953, Stalin died. His death brought on a number of changes in Russian foreign and domestic policies, each of which was important to policymakers of this Government. One of the major problems presented to the intelligence community was the announcement by Malenkov in August that the priorities governing the Soviet economy were to be revised. He stated that serious attention would be given to the standard of living in Russia. There was to be more food, more clothes, more furniture, and even TV sets. What did this mean? Was the very rapid growth of heavy industry, the backbone of Soviet war-supporting capabilities, going to come to an abrupt halt, and would machinery plants be converted, at least in part, to the production of consumer items that would make the people of Russia more happy? What did these announced objectives portend, and was the Soviet economy capable of meeting these stated objectives and still continue to further develop its war potential? Had Soviet intentions shifted?

Our Office of Research and Reports is organized to provide the factual analyses required for solving problems that arise from questions such as these. The major effort of this Office is directed toward the development of intelligence on the economic status of the Soviet Union, essential for estimating Soviet capabilities, vulnerabilities and intentions.

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After a thorough analysis of all the information, bearing on the subject, obtained from innumerable sources and weighed against prior accumulated knowledge of the economy, the Office of Research and Reports published in December a study entitled "The Implications of the New Soviet Economic Policy." This study analyzed what would be the impact of the announced Soviet goals in agriculture and consumer goods on the industrial capacity of the Soviets to support war, assessed their capabilities to achieve stated goals, and the impact of these new policies on military spending. Policy officers of this Government were thereby given a carefully evaluated picture of what was happening behind the Iron Curtain and what developments could be anticipated in its economy. In this case, as in others involving the status of the Soviet Bloc economy, it was the job of the Office of Research and Reports to supply the facts, as opposed to subjective opinions, from which the policymakers could be provided with the meaning and significance to the United States and to the Free World of the Soviet economic "new look."

The various problems of the Soviet Bloc economy are closely inter-related, and its many parts can be properly measured only by applying an integrated approach in the research effort. It would have been practically impossible to assess the impact of the recent Soviet "new look" had it not been attacked on an over-all basis. Other components of the intelligence community are not equipped and are not charged with this over-all approach to the study of the Soviet economy and their economic research

efforts are understandably oriented toward their individual departmental interests. Problems that must be considered by the Office of Research and Reports include the details of Soviet position in regard to raw materials, industrial inputs, labor force, production, inventories, strategic stockpiling, interdependence of industries, food balances, transportation and power capabilities, and communications.

How are these problems of the Soviet Bloc economy analyzed and how are the answers obtained through an integrated and coordinated approach? First, an important function of this Office is the coordination of Governmental economic research in support of intelligence to assure that its program does not unnecessarily duplicate work conducted elsewhere within the community. The Office then undertakes intensive analysis of fragmentary and conflicting data obtained overtly and covertly from innumerable sources, and from these bits and pieces develops the economic intelligence on the Soviet Bloc required both in production of National Estimates and in a variety of special studies. Some 400 professional analysts with varying skills—general and industrial economists, commodity specialists, area specialists, language specialists—are involved in this effort. The complexity of the job demands the welding together of all the various skills brought into the organization. The economist, the technical expert, the language specialist, all are vital parts of the research team. All need special additional training, which is expensive and time consuming, but absolutely necessary. Results already obtained by analysts using special skills such as photo intelligence

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████████████████████ have demonstrated the worth of this training.

The effort required to pin down the facts on a single, but highly significant, item in the study of the current trend in the Soviet economy--agricultural tractor production--illustrates the necessity for a large research staff. Every major development in the Soviet tractor industry since World War II has been identified as a result of painstaking analysis of bits of information combed from literally hundreds of Russian language books, newspapers and professional journals and from a variety of sensitive and covert source materials. Analysis in depth of this industry showed, for example, that the Soviet attrition rate was far lower than had been formerly believed; that more than one hundred thousand of the five hundred and fifty thousand tractors in Soviet agriculture at the end of 1953 were of pre-World War II vintage. The analysis provided, further, a close estimate of each year's production at each tractor plant and a measure of their successes and failures; the limitations of each plant in terms of convertability to possible war production; the capability of each plant to meet the goals set in the September 1953 decrees; and a vast number of other key facts which provide the basis for other judgments.

Equally intensive effort must be directed by the Office toward the analysis of the many other facets of the Soviet economy which, when taken together, provide the basis for measuring that economy's current strength

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and future capabilities. Other recent examples of work undertaken within our basic economic research program which are of broad interest

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purposes. (2) Studies of the Soviet synthetic ammonia and nitric acid industries producing products that cannot be used to make ammunition and fertilizer at the same time. Here economic intelligence can provide a good indicator of Soviet intentions whenever the Soviet Union diverts her <sup>nitrate</sup> acid supply away from agriculture.

Each of our economic branches periodically calls upon a small panel of fully cleared consultants drawn from among the top executives of American industry. Three or four times a year these men sit down with our people and review in detail the progress of the work and the conclusions obtained, thus giving us an excellent independent check on the soundness of our estimates. Furthermore, they advise us on ways to simplify or economize in our research procedures. I might add, that these highly experienced consultants have stated that they believe that our research staff is surprisingly small for the magnitude and complexity of the job that must be undertaken on a sustained basis.

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Subsequently, the Office of Research and Reports has had to retrench because of budgetary limitations. Many important projects have been deferred to make way for studies having immediate urgency and overriding priority. This means that the intelligence community of this Government and our policymakers are not obtaining as full and meaningful analyses of the Soviet Bloc economy and its capabilities as could be obtained if there were an adequate number of trained personnel on board to fully analyze all of the raw information assembled through the necessary but very expensive collection effort of this Government.

We recognize that economic intelligence serves many different national interests and purposes, and therefore the Office of Research and Reports makes periodic surveys to determine the types of problems for which economic intelligence is particularly needed by the policy and operating groups of the Government, and to inquire regarding the form of presentation most useful to these groups. We also invite

constructive criticism in order that our intelligence product may be continually improved toward meeting more fully the requirements of the various consumers. We place particular emphasis on the support given in the production of National Intelligence Estimates and to the National Security Council in questions relating to Soviet Bloc economic trends and capabilities.

Coordination -- EIC, IIC

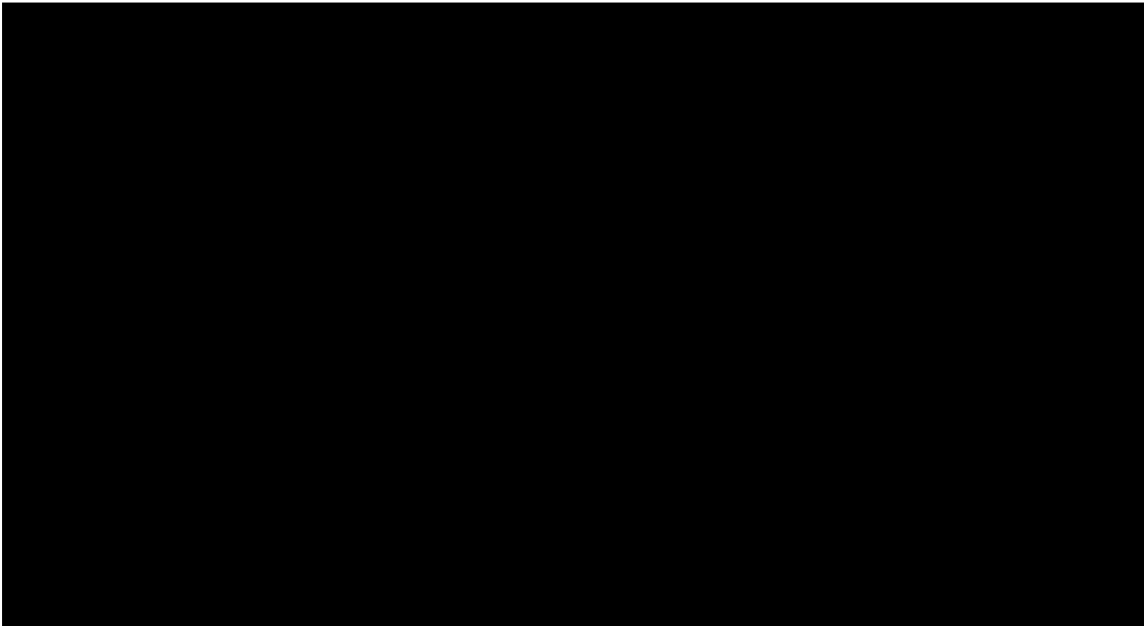
A part of the CIA economic research program is designed to fill important gaps on knowledge of the Soviet Bloc economy existing within the intelligence community. In order to identify these gaps and, as stated earlier, to avoid unnecessary duplication in this vast field, there was established under CIA chairmanship the Economic Intelligence Committee (EIC), composed of representatives of the intelligence staffs of the Department of State and the Services and, as appropriate, from other agencies, such as Agriculture, Labor, Treasury, and FIA. Focus is thereby given to the recognition of problems which all agencies agree are of national security importance. Through this Committee, concerted inter-agency support has been given to such national intelligence issues as the capabilities of the Trans-Siberian Railroad; the magnitude and character of Communist China's trade and shipping; and is now working on a study of the Soviet Bloc's economic capability to conduct a war. One tool for reducing research duplication is the recently completed surveys by the EIC which list the status of nearly all of the economic research on the

Soviet Bloc which has been completed or is under way within the US Government and sponsored by US Government agencies through external research contracts. Through this Committee mechanism, the Office of Research and Reports obtains guidance in the continual reexamination of its economic research program and has found that the bulk of the research required to fill in the important gaps on our knowledge of the Soviet economy must be undertaken by the Office, since the professional personnel of the other agencies are so heavily burdened with projects directed toward the discharge of their own departmental responsibilities. The Office of Research and Reports is, therefore, the key economic intelligence organization providing the facts on the Soviet Bloc economies as a matter of common concern to the community.

CIA also produces and coordinates intelligence in support of the US economic defense program. The Office of Research and Reports, in chairing the Intelligence Working Group for the Economic Defense Advisory Committee and by maintaining membership on that committee and on its Executive Committee, insures that intelligence on particular aspects of this problem are provided by those most competent in this field within the Agency. We provide most of the economic intelligence on the Soviet Bloc required to evaluate the strategic importance of controlled items. Since the issuance of the new NSC policy on economic defense emphasizing the importance of enforcement of controls, the CIA has given greater attention to intelligence on illegal transactions and other efforts to avoid controls.



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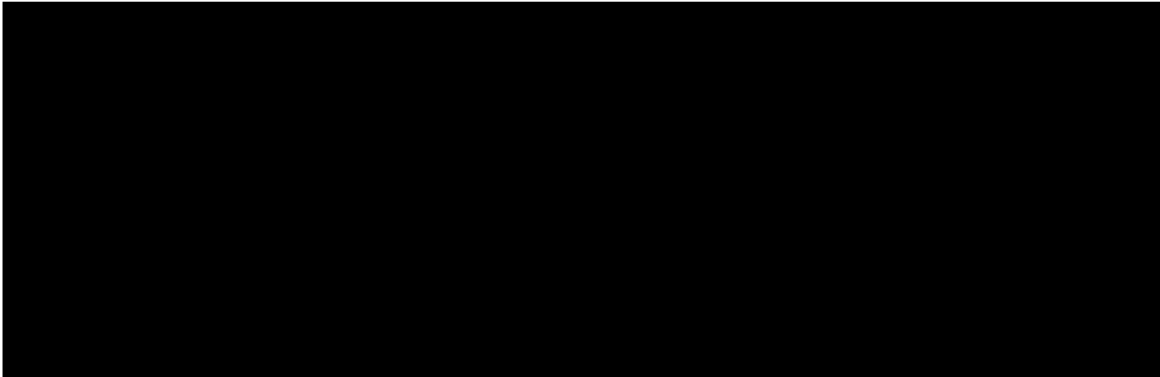


analysis of information from all sources can this type of support be effectively utilized by the operating agencies. The staff providing this support has been reduced to a minimum level but, because of competence and high motivation, is adequate to handle the matters of priority concern.

Geographic Intelligence

We maintain within our Office of Research and Reports a group of competent geographic analysts who provide research support

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existing conditions of total inadequacy of readily accessible and current geographic information on the USSR and its satellites, the task of the analysts in this field is extremely tedious and time consuming and requires depth of research heretofore not attempted.

Experience has shown that one of the most effective ways of presenting intelligence is to make extensive use of specially constructed maps. Our cartographic unit within the Office plans and prepares these maps for inclusion in CIA reports, National Intelligence Estimates, and for many other purposes including covert planning and operations.

As a result of the full recognition by all parts of the Agency of the unique and authoritative intelligence obtainable from aerial photography, a small photo intelligence unit was established within the Office to support not only the intelligence production effort of CIA but also its covert activities. This unit has been very effective in performing special photo-interpretation required in support of Agency interests and in providing training to analysts in the use of this source.

An extensive map library and map reference facility is also maintained for use by all authorized Government officials. Its specialized collection of foreign maps is kept current through a highly coordinated and effective inter-agency map procurement

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program that reflects the requirements of the several Government agencies having need for foreign maps.

National Intelligence Surveys

In conclusion, I want to stress a very significant part of the total effort of the intelligence community which takes a large portion of the budget of the Office of Research and Reports. This is the National Intelligence Survey program with which you are already familiar. Dollar-wise, this program is providing a sound investment at reasonable cost to the Government. The NIS program was initiated by direction of the National Security Council in 1948 in order to assure full and timely intelligence on all foreign countries of the world in the event of another war. The deficiencies in such basic intelligence during World War II were disastrous in many instances. Comprehensive basic intelligence is also required in this cold war period as one basis for sound national intelligence and strategic planning. To this end, the NIS is produced in accordance with current priorities established by the Joint Chiefs of Staff. CIA's job is essentially that of coordinating this complex program, reviewing the contributions and publishing the end product. Some thirty-eight components within other agencies of the Government participate in this program, in accordance with their specialized capabilities. For example, the Bureau of Mines contributes in the field of minerals, the Army Signal Corps on telecommunications, and the Air Force on weather and climate in coordination with the Joint Meteorological Committee.

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It should be remembered that the material printed in the ~~22~~ represents only a portion of the intelligence made available under the operation of the program. The stimulation of collection activities to fill "gaps" existing in the intelligence field, has provided a great new reservoir of information. Detailed information, analyzed in the process of producing the NIS, but not appearing therein, is available in organized form and provides an invaluable source for the day-to-day and operational intelligence requirements of the agencies. The NIS program is a formidable task. Considerable progress has been made, yet much still has to be done. Essentially a third of the total world coverage has been completed, most of which is in areas of high priority. Already, many of the NIS have been placed on a maintenance basis which will provide the more current intelligence lacking in the earlier issuances.

I cannot stress too strongly the importance of this program. In a letter written in 1945 to the Chief of Naval Operations, the Commandant, US Marine Corps, wrote: "Our experience in this war has effectively proved that if the United States is to have the necessary basic intelligence available for early planning of possible operations, it is essential that such intelligence be collected, collated, published, and distributed -- i.e. ready to use -- prior to the beginning of hostilities."

EXAMPLES OF PRODUCTION BY ORR

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C 1. EIC-S-1, Priority Research Deficiencies of Economic Intelligence on the Soviet Bloc, 1954, (Secret)
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C 2. EIC-S-11, Annual Report of the Status of Economic Intelligence Research Projects on the Soviet Bloc, 1 January 1952 to 1 January 1953 (March 1953, Secret)
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C 3. EIC-S-13, Report of Government Sponsored External Economic Research Projects on the Soviet Bloc (Revised) (1 January 1952 to 31 December 1953), March 1954, (Secret)
- 040 4. [REDACTED] 25X1C
- C 5. NIS (to be hand carried [REDACTED] 25X1A
- 040 6. [REDACTED] 25X1C
- C 7. Second Annual Progress Report to the IAC of the Economic Intelligence Committee, July 1952-June 1953 (15 August 1953, Secret)

19 March 1954